

**Economic Impact Statement**

LSA Document #12-464

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**

IC 4-22-2.1-5(a) provides that an agency that intends to adopt a rule under IC 4-22-2 that will impose requirements or costs on small businesses must prepare a statement that describes the annual economic impact of the rule on small businesses after the rule is fully implemented as described in IC 4-22-2.1-5(b). That statement must be submitted to the Indiana Economic Development Corporation (IEDC). The IEDC is required to review the rule and submit written comments to the agency not later than seven days before the public hearing.

The proposed rule amends 760 IAC 1-53 regarding standards that the commissioner may use for identifying insurers found to be in such condition as to render the continuance of their business hazardous to their policyholders, creditors, or the general public. The proposed rule amends existing standards and adds new standards that the commissioner may consider and remedies that may be ordered if the commissioner determines that a company's continued operation is hazardous to their policyholders, creditors, or to the general public. The amendments also require that any hearing to review such an order be held in Marion County.

The proposed amendments are based upon a model regulation adopted by the National Association of Insurance Commissioners (NAIC). This model regulation must be adopted by each state in order for that state to maintain its accreditation with the NAIC. States failing to maintain NAIC accreditation will subject domestic insurers to financial examinations from each of the other 49 NAIC accredited states.

**Estimated Number of Small Businesses Affected:**

The rule will impact domestic and foreign insurance companies. The proposed rule will impact 117 Indiana domestic insurance companies and 1,493 foreign insurance companies. It is unknown how many companies qualify as small businesses.

**Estimated Administrative Costs Imposed on Small Businesses:**

The estimated administrative costs imposed on small businesses will be minimal.

**Estimated Total Annual Economic Impact on Small Businesses:**

The estimated total annual economic impact on small businesses is difficult to quantify. The cost to insurers is unknown, as these costs would only be incurred if the company is in hazardous financial condition and the commissioner orders one or more of the previously referenced remedies. The requirement that a hearing be held in Marion County could also be a cost to the insurers. The costs could include travel, lodging, and food expenses to attend the hearing. However, these costs would only be incurred if the company is in hazardous financial condition and requests a hearing to review the commissioner's order. The costs would vary greatly among companies, depending on the location of the insurer and how many participants would be traveling to Marion County to attend the hearing.

**Justification of Requirements or Costs:**

If the proposed rule is not adopted and Indiana loses NAIC accreditation, each of the 49 other states could require Indiana domestic insurers to be examined. The costs of each financial examination would be borne by the domestic insurers, and would be financially burdensome.

**Regulatory Flexibility Analysis:**

The department determined that adoption of the model standards issued by the NAIC to maintain accreditation would be most beneficial for the marketplace. There are no less intrusive or less costly alternative methods for achieving the purposes of the proposed rule.

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